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August 4, 1997

BY HAND DELIVERY

1997

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: General Wireless, Inc.
Docket No. ET 97-82
Notice of Ex Parte Presentations

Dear Mr. Caton:

Pursuant to Section 1.1206(a)(2) of the Commission's rules, General Wireless, Inc. ("GWI") hereby submits this Notice of Ex Parte Presentations.

On August 1, 1997, representatives of GWI met with the Commission representatives referenced below to discuss further options for C block PCS debt restructuring in the above-referenced proceeding. GWI presented the enclosed submissions and discussed its proposal for applying 100% of its C block license downpayment as a "store credit" toward a C block re-auction and deferring any additional penalty the Commission might impose until five years after license grant. GWI also discussed the government obtaining up to two-thirds of the 15% control group equity (up to 10% of total equity) as an alternative debt restructuring option.

At the August 1 meeting, GWI was represented by Roger Linquist, its CEO, Dennis Spickler, its CFO, Al Loverde and John Lister, each a Vice President, and Arthur Patterson of Accel Partners, an investor and a member of the Board of Directors of GWI. The Commission was represented by Jon Garcia of the Office of Plans and Policy and David Shiffrin of the Federal Deposit Insurance Corporation.

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On August 2, 1997, representatives from GWI discussed with Mr. Garcia a debt restructuring option proposed by Mr. Garcia regarding allowing licensees to return a portion of their spectrum (*i.e.*, 10 MHz of 30 MHz or one-third of their spectrum) without imposing any penalty and a corresponding one-third reduction in the purchase price. GWI indicated that such option was not a satisfactory approach for debt restructuring in light of GWI's and other large market licensees' future plans for providing wideband, high capacity services that will require the full 30 MHz of spectrum. GWI was represented by Roger Linquist, Dennis Spickler, John Lister, Corey Linquist, its Director of Strategic Planning and Malcolm Lorang, its Vice President of Engineering. The Commission was represented by Jon Garcia.

On August 4, 1997, the undersigned, Roger Linquist and Arthur Patterson met with Commissioner Ness and David Siddall of the Office of Commissioner Ness to discuss GWI's above-mentioned "store credit" proposal and its enclosed submission titled "Cash Re-Auction With Deferred Penalties" regarding the various public policy benefits associated with GWI's proposal.

Copies of this Notice of Ex Parte Presentations have been provided to the above-referenced Commission representatives, as required by Section 1.1206(b)(2) of the Commission's rules. An original and one copy has been submitted to the Secretary's office.

Respectfully submitted,

Jay L. Birnbaum

Jay L. Birnbaum
Counsel for General Wireless, Inc.

Enclosures

cc: (w/encls.)

Commissioner Susan Ness
David Siddall
Jon Garcia
David Shiffrin

ACCEL PARTNERS

PRINCETON SAN FRANCISCO

July 31, 1997

The Chairman Reed E. Hundt
Federal Communication Commission
1919 M Street, N.W.
Room 814
Washington, DC 20554

Dear Chairman Hundt:

After meeting with you, my partner, Jim Breyer, wrote you in June (letter attached) about the PCS C-Block situation and Accel Partners. The purpose of this letter is to comment further on the potential re-auction or restructuring ideas.

The established cellular/PCS carriers have taken the position that the C-Block DEs "must be punished to reflect their irresponsible bidding practices and to maintain the integrity of the auction process". We believe this view is both wrong and counter to the FCC's public policy for the following reasons.

First, the winning DEs bid completely responsibly under the market circumstances which existed at the end of the C-Block Auction. At that time all the major DEs were being closely advised by leading investment bankers that IPO financing could be obtained in the near-term based on the then price of comparable companies, especially Omnipoint. In many cases these were the same bankers raising funds for the established A and B Block and Pioneer preference carriers.

Second, the FCC's structure of DE payments—i.e. no principal repayment for seven years—was a completely new approach. By delaying these payments until the new business itself could repay the government, the FCC achieved its dual objectives of allowing new entrepreneurial competitors to enter the markets while achieving a high price for the government. This was a totally different structure from the A and B Blocks and financially paralleled the license payment approach of the Canadians who taxed future revenue. For General Wireless, who paid an average of $59.00 per 1990 POP, our financial models showed that by year 2005 we would be paying only $.0003 per minute to service the government debt interest. Based on current $.40 per minute in major markets, this represents only 0.08 % of revenue. Based on our expectation of $.07 in ten years, this is only 0.4 % of revenue.

Third, all the evidence is that the C-Block DEs have proven to be exactly the exceptionally committed pioneers whom the FCC had intended to attract to support its objectives of introducing competition and innovation into the cellular/PCS industry. The C Block license only gives the new business the opportunity to compete against four or five of the world's largest and best financed companies. This is not a restrictive license like television stations, cable, or the cellular licenses. Value will only be created in the future based on competitive success through innovation against the huge competitors. (Most observers still doubt they can be successful). The C Block Auction (and the 18-month money-raising process before the Auction) competitively winnowed the field to the most aggressive committed managers and investors. Why is it in the public interest for the FCC to now turn around and discourage such pioneers?

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Fourth, the winning DEs have already suffered significant financial damage from their bad luck on market timing. The company managers have no return to show for their two-to-five years of effort during their peak productivity years. The investors have seen a significant per cent of their capital already consumed by company operations and have had their high return risk capital locked up for two or more years with no return. Similarly, the further delays in market entry have only raised the barriers to new entrants and lowered the potential returns.

Fifth, the competitors of the independent DEs in a future re-auction have used this intervening period of time to accumulate tremendous capital resources. These "hybrid" public DEs (i.e. Western Wireless, Omnipoint, Ariel and Intercel) all raised capital at high prices based on their existing A, B or pioneer preference licenses before the wireless market collapse and have since attracted huge credit lines based on their now on-going operations. Furthermore, during this period these hybrid DEs have used their resources to acquire substantial additional Spectrum positions at low prices in the D, E and F auctions. Therefore, not only have the pure DEs (e.g. General Wireless, Nextwave, Pocket) become financially further weakened during the post auction period but their future re-auction competitors have become much more able to outbid them. Why further penalize the independent DEs?

With respect to the FCC's tactical choices of re-auction versus restructure as procedural adjustments to achieve the FCC's original C Block policy objectives, I would offer the following considerations. First, while an argument can be made that a re-auction would be more fair to the "losing pure DE bidders" who could now try again, in practice, the circumstances of these "dropouts" would be no different, relative to the winners today and there is no evidence that the end result would be any different. Second, the "hybrid" DE competitors (e.g. Cook Inlet/ Western Wireless, Omnipoint) have been enormously strengthened during the intervening period relative to the independent DEs and "fairness" would suggest restricting them. Third, the American taxpayer is largely neutral from a fairness perspective to either alternative since the D, E and F Block pricing is below the proposed restructuring. Indeed, without the existing "winning" pure DE's participation and down-payment money in a re-auction, the prices per POP would likely be even lower than the D, E and F blocks.

In summary, we believe continued support of existing independent DEs is consistent with the FCC public policy objectives. These DEs have continued to act in good faith as the pioneers in the FCC plan to introduce competition and entrepreneurial innovation in the wireless market. On a personal note, I can attest that competition is needed in the San Francisco BTA as PacBell approximately doubled my PCS air time prices (back to $.35 per minute) as soon as their introductory launch period ended this June.

Sincerely,

Arthur C. Patterson

Arthur C. Patterson
Managing Partner

ACP/jvm
Enclosure

General Wireless, Inc.

Original DE Financing Terms

		General Wireless FCC Payment Terms					
		10.0% Down Payment	Debt Outstanding	Principal Repayment	Interest Payment @ 6.5%	Total Payments	NPV of Total Payments @ 14.0%
1997	Jan		9,064,538				
	Apr	0	9,064,538	0	147,299	147,299	142,318
	Jul	0	9,064,538	0	147,299	147,299	137,505
	Oct	0	9,064,538	0	147,299	147,299	132,855
1998	Jan	0	9,064,538	0	147,299	147,299	128,362
	Apr	0	9,064,538	0	147,299	147,299	124,022
	Jul	0	9,064,538	0	147,299	147,299	119,828
	Oct	0	9,064,538	0	147,299	147,299	115,775
1999	Jan	0	9,064,538	0	147,299	147,299	111,860
	Apr	0	9,064,538	0	147,299	147,299	108,078
	Jul	0	9,064,538	0	147,299	147,299	104,423
	Oct	0	9,064,538	0	147,299	147,299	100,892
2000	Jan	0	9,064,538	0	147,299	147,299	97,480
	Apr	0	9,064,538	0	147,299	147,299	94,183
	Jul	0	9,064,538	0	147,299	147,299	90,998
	Oct	0	9,064,538	0	147,299	147,299	87,921
2001	Jan	0	9,064,538	0	147,299	147,299	84,948
	Apr	0	9,064,538	0	147,299	147,299	82,075
	Jul	0	9,064,538	0	147,299	147,299	79,300
	Oct	0	9,064,538	0	147,299	147,299	76,618
2002	Jan	0	9,064,538	0	147,299	147,299	74,027
	Apr	0	9,064,538	0	147,299	147,299	71,524
	Jul	0	9,064,538	0	147,299	147,299	69,105
	Oct	0	9,064,538	0	147,299	147,299	66,768
2003	Jan	0	9,064,538	0	147,299	147,299	64,511
	Apr	0	8,563,901	500,637	147,299	647,936	274,172
	Jul	0	8,059,128	504,773	139,163	647,936	264,901
	Oct	0	7,538,088	517,040	130,896	647,936	255,943
2004	Jan	0	7,012,646	525,442	122,494	647,936	247,288
	Apr	0	6,478,665	533,981	113,955	647,936	238,925
	Jul	0	5,936,008	542,658	105,278	647,936	230,846
	Oct	0	5,384,532	551,476	96,460	647,936	223,039
2005	Jan	0	4,824,094	560,437	87,499	647,936	215,497
	Apr	0	4,254,550	569,545	78,392	647,936	208,210
	Jul	0	3,675,750	578,800	69,136	647,936	201,169
	Oct	0	3,087,545	588,205	59,731	647,936	194,366
2006	Jan	0	2,489,782	597,763	50,173	647,936	187,793
	Apr	0	1,882,305	607,477	40,459	647,936	181,443
	Jul	0	1,264,956	617,349	30,587	647,936	175,307
	Oct	0	637,575	627,381	20,556	647,936	169,379
2007	Jan	0	0	637,575	10,361	647,936	163,651
	Total	$0		$9,064,538	$4,837,608	$13,902,146	$5,797,303

$21.47 per POP
assumes 270 million POPs

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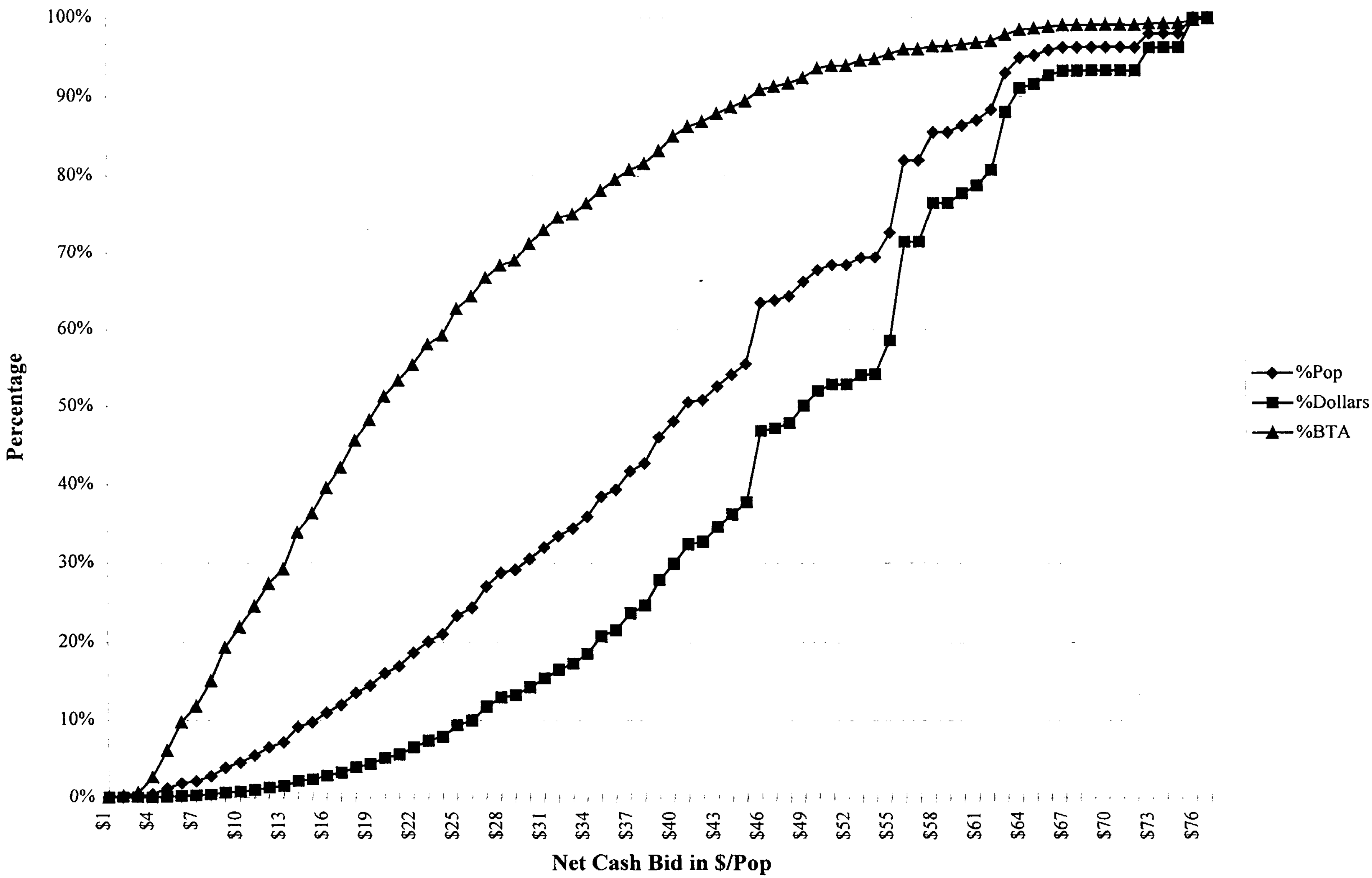
A Net Cash Bid of "at most" 23 $/Pop for 20% of the Population with 7% of the Dollars & 58% of the BTA's



Last BidResultsChart3

I$/POP	%Pop	%Dollars	%BTA	I$/POP	%Pop	%Dollars	%BTA
$1	0%	0%	0%	$38	43%	25%	82%
$2	0%	0%	0%	$39	46%	28%	83%
$3	0%	0%	1%	$40	48%	30%	85%
$4	0%	0%	3%	$41	51%	32%	86%
$5	1%	0%	6%	$42	51%	33%	87%
$6	2%	0%	10%	$43	53%	35%	88%
$7	2%	0%	12%	$44	54%	36%	89%
$8	3%	0%	15%	$45	56%	38%	89%
$9	4%	1%	19%	$46	64%	47%	91%
$10	5%	1%	22%	$47	64%	47%	91%
$11	5%	1%	25%	$48	64%	48%	92%
$12	7%	1%	27%	$49	66%	50%	92%
$13	7%	2%	29%	$50	68%	52%	94%
$14	9%	2%	34%	$51	68%	53%	94%
$15	10%	2%	36%	$52	68%	53%	94%
$16	11%	3%	40%	$53	69%	54%	95%
$17	12%	3%	42%	$54	69%	54%	95%
$18	14%	4%	46%	$55	73%	59%	95%
$19	14%	4%	48%	$56	82%	71%	96%
$20	16%	5%	51%	$57	82%	71%	96%
$21	17%	6%	53%	$58	86%	77%	96%
$22	19%	7%	55%	$59	86%	77%	96%
$23	**20%**	**7%**	**58%**	$60	86%	78%	97%
$24	21%	8%	59%	$61	87%	79%	97%
$25	23%	9%	63%	$62	88%	81%	97%
$26	24%	10%	64%	$63	93%	88%	98%
$27	27%	12%	67%	$64	95%	91%	98%
$28	29%	13%	68%	$65	95%	92%	99%
$29	29%	13%	69%	$66	96%	93%	99%
$30	31%	14%	71%	$67	96%	93%	99%
$31	32%	15%	73%	$68	96%	93%	99%
$32	33%	17%	75%	$69	96%	93%	99%
$33	34%	17%	75%	$70	96%	93%	99%
$34	36%	19%	76%	$71	96%	93%	99%
$35	39%	21%	78%	$72	96%	93%	99%
$36	39%	22%	80%	$73	98%	96%	99%
$37	42%	24%	81%	$74	98%	96%	99%
				$75	98%	96%	99%
				$76	100%	100%	100%
				$77	100%	100%	100%

General WIRELESS INC.

FCC Debt Restructuring

August 1, 1997

GWI's Perspective

- Restructure with pre-payment option is the fastest way to get licenses into service . . . long delays put at risk C-Block success in the wireless market
- If re-auction option selected, then a cash upfront option best meets Commission objectives
- Re-auction is a severe penalty in and of itself
- If any penalty is imposed, it should be non-monetary or deferred
- Timeliness of executing any option is critical

*Equity Interest Added To 10 Year Deferred Debt Terms Makes Government "Whole," But "Can Not Be Financed" above $10/POP**

Total C-Block @ $10.1 Billion

NPV Analysis

	Debt Only		Debt Plus Equity Interest
	$/POP	$	$
❑ Existing Terms	21.47	$5.8B	—
❑ 8 yr. PIK, 10 yr. Bullet	16.29	4.4B	$5.7B
❑ 10 yr. Bullet	16.16	4.4B	5.7B

Government Equity Interest Assumptions

1. 10% equity interest
2. 300 million Pops in 2006 - 5% Penetration
3. $50/mo. average revenue per subscribers
4. EBITDA margin is 45%
5. Terminal multiple is 12X EBITDA
6. 50% of enterprise value is debt
7. Terminal year is 2006
8. Government discount rate is 6.5%
9. Equity of C-Block is $24B
10. NPV of Government interest is $1.3B

Either extend the term, reduce the debt and/or forgive a portion of the interest

* *June FCC Forum*

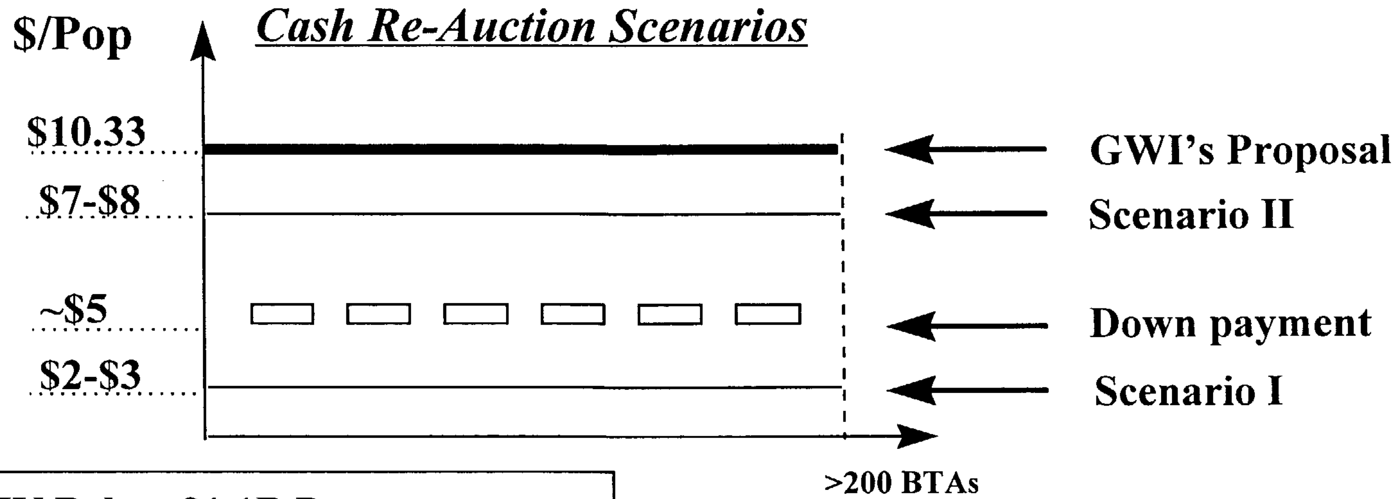
General WIRELESS

Allowing Licensees to Use All of Their Down Payments in a Re-Auction is in the Public Interest

- **Auction Realities**
  - Bidders will try to keep prices low
  - There are a range of reasonable prices
  - More money in the game means higher prices

- **Allowing All Down Payments to be Used in a Re-Auction is the Best Way to Establish Reserve (Minimum) Prices**
  - BTAs vary widely in value. Establishing meaningful reserve prices is very difficult
  - Licensees using all their down payments in a re-auction will effectively create market based minimum bids

FMV Can Only Be Achieved if Commission Were to Re-Auction By Allowing Licensees To Bid With Their Full Down Payment and Ensure Competition



Scenario I: FMV Below $1.1B Down payment

- If FMV below down payment value, the FCC should accept GWI's restructure proposal for over $10/Pop - not re-auction
- Lack of spectrum scarcity (A,B,D,E, F, WCS auctions included) reduces demand and creates imperfect competition among "new money" bidders (e.g.., cash rich bidders fill coverage holes)
- If re-auctioned, winners would be paying less than original licensees down payment and receiving an undeserved "windfall" relative to GWI's proposal

Scenario II: FMV Above $1.1B Down payment

- Existing Licensees' down payment in the auction moves prices toward FMV (but still short of GWI's proposal)
- Only presence of full down payment can keep auction from having prices collapse analogous to WCS auction

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-Auction Rules-
Cash Upfront Auction

- ❑ ***Upfront Payment*** – The total net cash bid price cannot exceed the upfront payment
- ❑ ***Minimum Bid*** – Participating Licensees' non-refundable down payments ("old money") to FCC naturally generates a Market Based reserve price by BTA
- ❑ ***Eligibility***
  - Eligibility for new money based on $.15/MHz/Pop
  - "Old money" eligible to the extent of licensed Pops under applicable Stage III rules
- ❑ ***Payment Process***
  - "Old money" spent first
  - New money refunded at the end of the auction if not needed to pay for license(s) won
- ❑ ***Payment Terms*** – Cash only
- ❑ ***Bidding Rules***
  - C-Block, Stage III rules (to minimize speculation)
  - All other C-Block auction rules consistent with the above apply
- ❑ ***DE Rules***
  - Unrestricted transfer of licenses in the event of a DEs' default to lenders
  - Up to 49% ownership by single investor

General WIRELESS INC.

Benefits of Cash Upfront Auction

❑ Integrity of Commission Rules

1. **Penalties imposed:**

   (a) Re-auction puts all licenses and the millions spent on network and business development at risk

   (b) Re-auction delays cause further erosion of C-Block competitiveness and reduce license and company value

   (c) Down payment is <u>not</u> refundable and possibly "stranded"

   (d) Investors have already lost hundreds of millions in investment income over last two years by tying money up that dropouts have avoided (often by one bid)

2. **Cash only auction sets stage for future Designated Entity auctions and eliminates collection risk associated with financing**

3. **Designated Entity rules still in place and Commission avoids creditor role**

Benefits of Cash Upfront Auction (Con't.)

- **"Let the Market Decide"**

    1. Fair Market Value assured through re-auction
    2. Full use of non-refundable down payments naturally establishes market based minimum or "reserve" price during the auction
    3. Full use of non-refundable down payment ensures highest total proceeds in re-auction

- **Fair to All**

    1. Re-auction is fair in that all designated entities may bid
    2. Participating licensees at risk for all their licenses
    3. C-Block re-auction concept can be extended to other auctions with similar terms

- **No Financial Risk**

    1. Cash only auction with bids limited to total cash on deposit
    2. Eliminates "bidding risk" based on future financing

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Penalty Alternatives

	Restructure	*Re-Auction*
Existing		
• Opportunity cost	X	X
• Down payment "stranded"		X
• Time delay depreciates investment	X	X
• Investment in specific BTAs at risk		X
Upfront Cash		
• Fraction of down payment		X
• New money eligibility		X
Deferred Cash/Cash Equivalent		
• Fraction of equity (warrants) to Government	X	X
• Fraction of down payment (e.g., paid in 10 years)	X	
• Carried interest (e.g., fraction of cash flow)	X	
Non-Monetary		
• Accelerated construction	X	X
• Licenses at risk		X
• Eliminate DE's 15% minimum ownership	X	X

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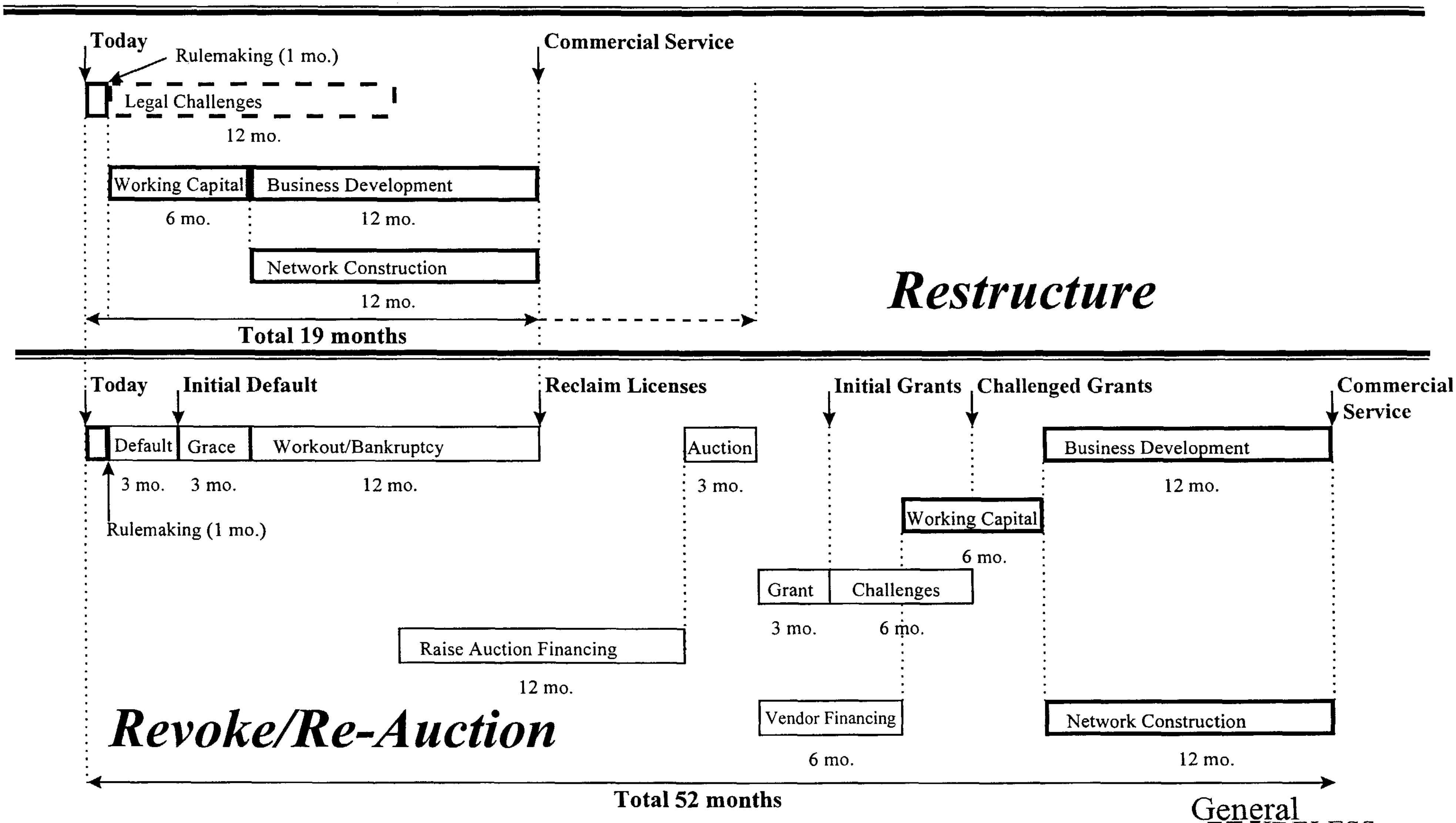
Time to Commercial Service Projections



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Conclusion

- Restructure: Only a significant restructuring of the debt can be financed in today's capital markets
- Re-Auction: Only cash auction with licensees' full use of down payment ensures competitive bids
- Quick resolution is critical to facilitate rapid progress towards commercial service

A Partial Solution Will Not Work!

Basic Approach: Re-Auction with "Store Credit" of 100% of Down Payment

- Cash only re-auction with "Store Credit" of 100% of down payment to DEs who opt for putting all their licenses back into the auction pool

- Deposit credit not available for "cherry picking" within current DE license portfolio

Rationale for Using 100% of Down payment as "Store Credit"

- Licensees enhance prospects of financing
- Fair value established by market auction, not by FCC
- Fairness to Dropouts who can re-bid
- Independent entrepreneurs kept in wireless market to introduce competition
- Re-auction is a penalty in and of itself
- Dual role of creditor and regulator disappears in cash auction
- Non-refundable down payment deposit naturally creates "market based" minimum price

Deferred Penalties for DEs Who Elect Re-Auction (With 100% of Down payment as "Store Credit")

- **Cash Penalty:**
  - (A) Sliding Success Penalty: Up to 100% of the down payment paid as penalty after the auction if participating DE wins 100% or more of current Pops in a Re-auction using down payment money. If a DE wins zero Pops in a re-auction, the penalty is zero but down payment not refundable. Proportional sliding scale for all other outcomes (i.e., if 50% of current Pops are won in a re-auction with down payment money, the penalty is 50% of the down payment).
  - (B) Terms: 5 years, no interest but accelerated payment provision at the rate of 10% of positive EBITDA.
  - (C) New Money: Not "penalized" in auction

- **Equity Penalty:**
  - (A) Existing minimum 15% Qualifying Investor obligations: to the extent currently held in options or "cheap" stock must be reduced to a maximum of 5% prior to a re-auction, or ...
  - (B) Alternatively, amount of reduction of equity envisioned in (A) could be transferred to the federal government, universal service fund, etc.

Rationale for Deferred Cash Penalty

- ❑ Down payment applied toward auction increases competition
- ❑ Existing licensees have greater incentive to participate in a re-auction and attempt to raise new money
- ❑ Creates "market based" minimum bids
- ❑ Scales penalty to pops captured in auction and enhances ability to finance

Rationale for Equity Penalties

- ❑ Major loss of upside for control group
- ❑ Avoids "Bill Gates" Risk in restructuring
- ❑ Gives government a significant upside (if government takes equity stake)

Cash Re-Auction With Deferred Penalties

FCC

- Avoids messy bankruptcies
- Adapts rules but imposes strong penalties
- Quick action gets licensees into service
- Removes creditor role

Drop Outs

- FAIR, due to second chance

C-Block Non-Participant

- FAIR, because either way, licenses get re-auctioned and devalued

Other Auction Licensees

- FAIR, because there are no "giveaways" (and other licensees wouldn't want these terms)

Congress

- Establishes a "minimum price" with licensee down payment
- Consistent with small business objectives

Taxpayers

- Gets Fair Market Value through cash auction (and down payments establishes "minimum price")

C-Block Participants

- Keeps down payment as "Store Credit" but not refundable
- Gives up:
  - Existing Licenses
  - Penalty imposed
  - Qualifying investors get reduced to a maximum of 5% ownership (or 10% equity for government)

General WIRELESS